

VZCZCXYZ0002
RR RUEHWEB

DE RUEHYN #0571/01 0911439
ZNY SSSSS ZZH
R 011439Z APR 09
FM AMEMBASSY SANAA
TO RUEHC/SECSTATE WASHDC 1537
INFO RUEHRH/AMEMBASSY RIYADH 1620
RUEAIIA/CIA WASHDC

S E C R E T SANAA 000571
SIPDIS
FOR NEA/ARP:AMACDONALD AND INR
E.O. 12958: DECL: 03/31/2019

TAGS: [PGOV](#) [ECON](#) [YM](#)

SUBJECT: PESSIMISTIC OBSERVERS FEAR TROUBLE AHEAD FOR YEMEN

REF: A. SANAA 430

[1](#)B. SANAA 560

[1](#)C. SANAA 529

Classified By: Ambassador Stephen A. Seche for reasons 1.4 (b) and (d)
Summary

[1](#)1. (C) A trusted contact predicted to POL/E Chief serious trouble on the horizon for the ROYG stemming from its budgetary problems. Others are less pessimistic, but there are many who feel that the current Yemeni regime is in a precarious place both economically and politically. The ROYG needs to get serious about reform to keep simmering unhappiness from boiling over into unrest. End Summary.
Economic Problems Looming

[1](#)2. (C) On March 28, political observer Abdulghani al-Eryani told POL/E Chief that he foresees the collapse of the ROYG within the next 12 months. He predicted the political crisis would spring from the current financial crisis once the ROYG is unable to pay its bills. While Eryani is, by far, the most pessimistic of post's contacts, his underlying belief that the ROYG is on a collision course with serious financial problems is not unique. Ali al-Wafi, Deputy Head of the Economic Department of the opposition Islah party, told POL/E Chief on March 30 that, while the ROYG can easily weather the crisis with some basic fiscal reforms, in the absence of those reforms the country will face a financial "disaster" in the next two to three years. A German diplomat told POL/E Chief on March 31 that in a recent conversation Deputy Finance Minister Jalal Yacoub told him that he "had no idea" how the ROYG would pay civil service salaries this fiscal year.

[1](#)3. (C) World Bank Senior Economist Ali Abdulrazzaq was much more optimistic. While he acknowledged that the downturn in the price of oil put the ROYG in a precarious fiscal position, he opined that the recent firming of oil prices in combination with ROYG austerity measures would allow the government to muddle through until the global financial crisis resolves itself and oil prices (and therefore ROYG revenues) trend back up. He added that if it were to become apparent that the ROYG was unable to support its currency the World Bank would step in to prevent its devaluation.
Underlying Political Problems

[1](#)4. (C) While Eryani saw the trigger for the crisis as economic, the underlying problems he outlined in Yemen were political. POL/E Chief pointed out that Yemeni observers have been predicting dire crises for at least a decade and the ROYG has continued to function, and asked how the current situation is different. Eryani asserted four differences: 1) the country is more polarized now than ever before between the ruling party and the opposition and between the wealthy and the poor; 2) within the ROYG, Saleh has concentrated more authority in his own hands than ever before; 3) Saleh is seen to have a diminished capacity to implement programs he favors; and 4) the central government's influence in outlying regions is less than ever before.

[1](#)5. (S) Other embassy contacts echo Eryani's concerns about Saleh. On March 30, ruling General People's Congress (GPC) Central Committee member Mohammed Abulahoum told POL/E Chief that he believed Saleh is as weak as he has ever been and has

lost his ability to manage crises. GPC MP Mohammed Naji al-Shaif, who is also the son of the paramount Sheikh of Yemen's largest tribal confederation, told the Ambassador on March 30 that he was not certain whether Saleh was "keeping quiet (about Yemen's problems) or just failing" to deal with them. Both Abulahoum and Shaif used the same term to describe Yemen's situation: "dark."

Tribal Engagement Urged

¶6. (S) Abulahoum and another embassy contact, GPC MP Nabil Basha, have recently appeared to be positioning themselves for a possible post-Saleh era. Both men approached POL/E Chief separately with the same message: if the US wants to continue to have influence in Yemen, forming relationships with Yemen's tribes is more important than with the ROYG (septel). The subtext of both men's intervention was that in the near future the influence of the central government will wane while the influence of the tribes will wax. Both men are also positioning themselves to be the brokers of increased embassy/tribal cooperation. Basha offered to arrange a meeting between the officer leading post's tribal engagement efforts and Shaif. Abulahoum recently traveled to Washington, where he met with officials of the State Department and Pentagon to urge that the USG interact more directly with tribal leaders.

Comment

¶7. (C) For thirty years Saleh has ruled Yemen. Observers have been predicting disaster here for almost as long. Tensions now, however, are running unusually high. With secessionists active in southern Yemen (ref A), al-Qaeda operating throughout the country, and a sixth al-Houthi uprising looming in Saada (ref B), Saleh has his hands full and is poorly positioned to make hard but necessary choices like lifting fuel subsidies. The ROYG dodged one possible flashpoint for widespread unrest when it avoided holding elections without the opposition (ref C). It will have to be just as crafty (or lucky) to keep its economic problems from igniting the volatile situation in Yemen. End Comment.

SECHE